Decision Package Code/Title	SU	IS Support Costs
Budget Period	2005-07	2005 Supplemental Budget
Budget Level	M2	Maintenance Level

Recommendation Summary Text

The agency goal of increasing on-line customer access to agency services has been very successful and resulted in a significant expansion in the number of internal and external users. However, the level of customer interest and demand on agency applications and data has caused a significant increase in charges from Department of Information Services (DIS). Additional appropriation is needed for two different areas: 1) $2,171,00 to cover the increased transaction costs paid to DIS for mainframe usage and other services. And, 2) $602,000 to cover the necessary on-going application software maintenance expenses.

Fiscal Detail:

	FY 2006	FY 2007	TOTAL
Staffing (B6):			
	0.0	0.0	0.0
TOTAL FTEs	**0.0**	**0.0**	**0.0**

	FY 2006	FY 2007	Total
Operating Expenditures:	1,386,000	1,387,000	2,773,000
Funds			
608 Accident Account - State	681,000	681,000	1,362,000
609 Medical Aid Acct - State	669,000	670,000	1,339,000
001 General Fund State	7,000	7,000	14,000
02V Public Safety & Education Account	13,000	13,000	26,000
03B Asbestos Account	0	0	0
095 Electrical Licensing	12,000	12,000	24,000
163 Worker/Community Right to Know	1,000	1,000	2,000
234 Public Works Administration	1,000	1,000	2,000
885 Plumbing Certificate Account	1,000	1,000	2,000
892 Pressure System Safety Account	1,000	1,000	2,000

	FY 2006	FY 2007	TOTAL
Revenue (B9):			
Fund/Major Group/Source	0	0	0
TOTAL Revenue	**0**	**0**	**0**

Package Description:

This budget request is made up of two parts.

1) Agency demand for DIS-provided services have far exceeded forecasts. The costs for the unanticipated increase in agency demand in the 2003-05 Biennium were handled using savings from staff vacancies and other efficiencies. However, the vacancies are now filled and the 2005-07 Biennium base budget does not have the capacity to cover those increased costs. In addition, the agency's demand for DIS services are projected to increase again in the 2005-07 Biennium due to increased number of customers using our on-line services. Funding is requested to cover service cost increases implemented in 2003-05 as well as forecasted increases this biennium.

2) Funding is needed for the licensing and on-going maintenance for application development on software and tools purchased at the end of the 2001-03 Biennium. The impact of the on going costs had not been forecasted.

The amount requested represents the gap between available funding and the anticipated DIS billing and additional software support costs. Funding must be obtained to continue to allow the agency to support internal operations. It is alwo needed to provide ongoing and growing internet access to our external customers who are requesting access to agency data, i.e., injured workers, providers, and employers.

Background

The agency has traditionally used DIS to provide its mainframe services. More recently, server-based distributed services applications have been placed there as well. DIS offers a 24X7 help desk which provides 1st level response for problems with the mainframe applications or the server-based on-line applications. Typical support provided by DIS includes:

- System backup and recovery
- Security
- Problem management
- Change management
- Tape services including off-site storage
- Print services

The use of the internet to conduct agency business continues to increase. L&I continues to develop innovative new services to meet the demands of our external customers and partners. This includes providing access to agency data via the internet and increasing the number and types of business transactions that can be processed on-line. At the same time, the agency must keep existing aging

systems operational. It will take many years to replace systems that have been developed over the last twenty five years in the older mainframe technologies. This places L&I in a position where it must fund both the new technologies to support external demand and new internal applications, while continuing to fund operations of existing mainframe applications.

Costs for operations have been higher than anticipated for several reasons:

- ***Marked increase in DIS mainframe computer usage (Request: $1,427,000).*** The mainframe usage increase is due to improvements which increased functionality of existing applications. In addition new internet applications were implemented which access agency data maintained on existing mainframe legacy

    systems, i.e., LINIIS[1]. Workers, employers, medical providers and L&I staff all benefit from these Internet applications. Historically, demand for additional mainframe usage increases approximately every 6 months. Refer to Figure 1.

    Last biennium the Agency added 15 new major internet applications, or major upgrades to existing applications, all requiring access to agency data. At the time they were purchased and implemented, ongoing operating estimates for these applications inadequately recognized the additional workload on existing mainframe applications sharing this data. This supplemental budget request is necessary to maintain this increased level of mainframe access and storage.

    The 15 new applications implemented last biennium include:

Application	Users	Service Description
1.) LUCI – Look Up Claim Images	Externa / Internal	LUCI replaced the agency's document imaging system with an enterprise Integrated Document Management (IDM) system that is web-based which will also allow access by several thousand external customers in the near future.
2.) CAC – Claims Account Center	Externa / Internal	Provides expanded secure on-line services related to Worker's Compensation Claims Management. It allows Injured Workers, Employers and Medical Providers and others to access and update claim file information.
3.) OLRS – On-Line Reporting System	Externa / Internal	OLRS is a web based system that provides on-line access to reference workers compensation claims manuals, RCWS, WACS, policies and procedures.
4.) Express Filing	External	Allows employers to file industrial insurance quarterly reports online and pay premiums electronically or by check. Employers also can report business changes. Over 6,900 employers currently registered.
5.) ARC – Accounts Receivable Collections	Internal	Provides a Accounts Receivable system to bring all money owed the agency into a single system. Provides AFRS reporting on a daily basis of the agency's accounts receivables, liquidations and write offs.
6.) Fraud & Abuse	Internal	Improves the agency's fraud and abuse capability. Provides a data extract and link between the agency's claims management system (LINIIS) and Fair Isaac Corporation to identify potential fraudulent claim activity.
7.) CRPSI – Contract Restricted Premium Status Info.	External	Public Works Officials can review premiums due and paid each quarter for contractors hired for projects. This application helps government-contracting officers to protect the public from contractor liability under RCW 51.12.050.
8) RTW - Return to Work 9.) ERTW – Early Return to Work	Internal	Provides two new LINIIS applications which targets claims within the initial 14 days of time loss to improve the agency's ability to return injured workers to employment more quickly.
10.) Pensions, phase I & 11.) Pensions, phase 2	Internal	The Pension system allows the agency to provide timely and accurate payments to 14,000 to 18,000 disabled injured workers and surviving beneficiaries of deceased workers. Recent upgrades consolidated duplicate activities to allow for enhanced management and reporting capabilities.
12.) Medical Payment	Internal	Includes numerous enhancements to the agency's medical provider billing system (MIPS).

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1. LINIIS (Labor and Industries Industrial Insurance System) is the large mainframe data base system housing the majority of injured worker and employer claims-related data.

System		The enhancements provide improved bill management capabilities.
13.) Investigations	Internal	Implemented changes to information flow within LINIIS to provide agency investigators with improved data and better investigation planning capabilities.
14.) Third Party Providers	Internal	System provides a web based application which is easier and more efficient for agency staff to use. It provides automated orders and with the capacity to interact with the agency's claims application (LINIIS) it eliminates duplicate data entry thus improving agency efficiency.
15.) PEB – Provider Accounts Billing	Externa / Internal	Allows medical providers to electronically submit bills for services provided to the Agency or claimants, thereby improving the processing and payment receipt time.

- ***Need for additional DIS mainframe storage capacity (Request: $744,000)***. Increased functionality and internet activity has created the need for additional mainframe storage to support processes and store agency data. DIS provides the infrastructure we need to support our Information Technology (IT) applications. The more transactions completed, the higher the charge paid to DIS. It is projected to continue to increase into future biennia as well.

  Mainframe usage is measured in Millions of Instructions Per Second (MIPS)[2]. Based on historical growth patterns, we forecast a minimum of four increases of 10 MIPS each in the 2005-07 Biennium.
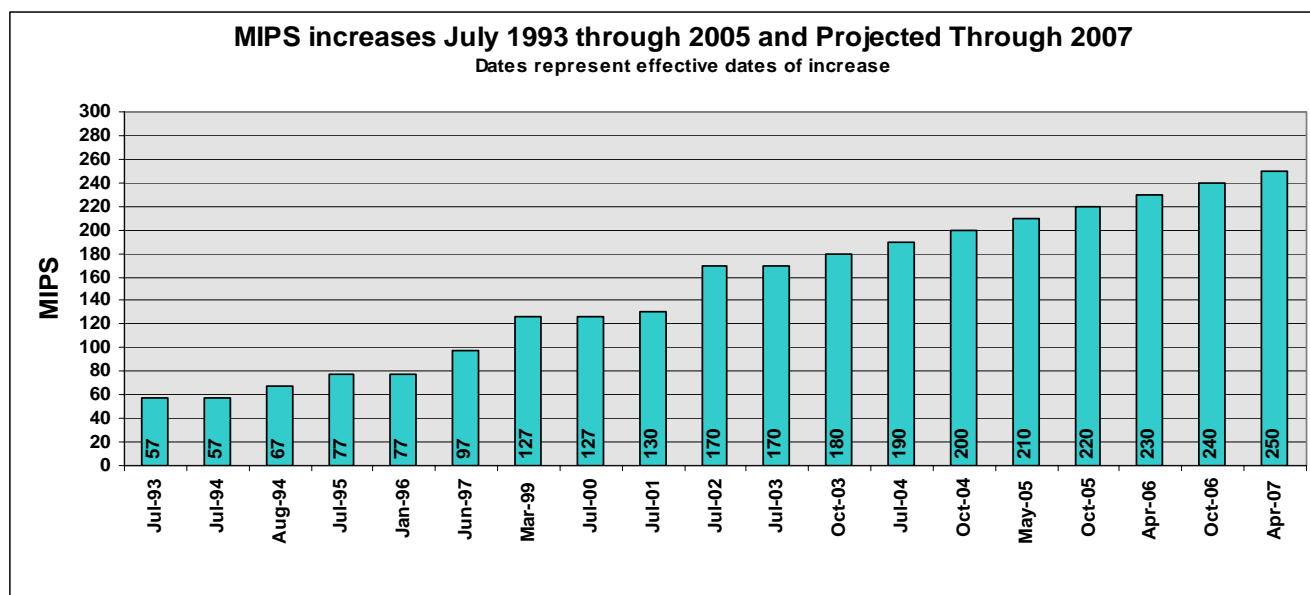

Figure 1

- ***Software licensing and maintenance costs (Request: $602,000).*** L&I depends on critical system software to support development of new applications. Software also provides a method of passing data between application systems built upon different technologies so the different systems can talk to each other. This software is critical for both support of existing applications and development of new internet applications. At the close of the 2001-03 Biennium, the agency purchased an IBM development software package including one year's worth of maintenance. A portion of the DIS rebate (a one-time event) from last biennium was

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[2] MIPS or Millions of Instructions Per Second is a technical term used to describe the measurement of the processing power consumed from the mainframe. Each time some one accesses data or adds data to the mainframe database it is considered an "instruction." Examples of other types of instructions to the mainframe include: add a number, or get a piece of data, or write a response to a request for data, or each instruction to store a new piece of data. DIS charges agencies for each 10 MIP incremental increase in usage.

used to purchase the licenses and maintenance for the second year of the biennium. Now that the DIS rebate is no longer available in the 2005-07 Biennium funding is needed for the on-going support and maintenance.

Information Services (IS) division staff is continuously looking for efficiencies to reduce or contain mainframe use and consumption. Various tools are currently employed to gather statistics and create management reports. These tools monitor the overall performance of applications and are used to trend growth patterns. IS division staff is researching other available tools and methods to better provide the information needed to forecast future requirements. We have managed to keep the rate of increase from climbing even higher by using methods such as periodic code reviews and the implementation of a programming code 'optimization compiler.'

How this Decision Package contributes to agency's strategic plans and activities

The expected results of this package are tied to the Priorities of Government:

- Improve the economic vitality of businesses and individuals (POG Result 6)

- Improve the quality and productivity of our workforce (POG Result 2)

- Improve the ability of state government to achieve its results efficiently and effectively (POG Result 11)

Performance Measure Detail:
Agency Goal(s) to which this change is tied:

1. Make critical decisions about claims more quickly (Manage workers' compensation claims processes as efficiently as possible. This will result in more timely benefits and also reduced costs.)

2. Return injured workers to employment as soon as they are medically able

3. Involve employer earlier and more often in L&I processes

4. Reduce fraud and abuse by employers, workers and service providers . (Combat fraud and abuse in the system.)

Statement of Expected Results:

This decision package contributes to all agency strategic goals by allowing us to maintain agency business applications and continue access to information on the Internet by all of L&I's customers

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Reason for change

The expanded access to agency services and data for both internal and external customers via the internet continues to steadily increase. The base budget does not have the capacity to fund the expected cost increases to DIS and for software applications maintenance.

Impact of the change on clients and services

Funding allows for continued and planned increased usage of internet services requested by our customers including access to information regarding worker's compensation claims and providing the ability to file premiums electronically.

Other impacted programs/divisions/regions

- All agency programs using the Internet to serve customers depend on reliable application support and access.
- DIS is also impacted as the manager of our mainframe systems.

Relationship to capital budget

None.

Required changes to existing RCW, WAC, contract or plan

None.

Alternatives explored by agency

An option considered was to limit the Agency's consumption of DIS services to the funding in the agency's base budget allotted specifically for DIS payment. This would result in potential slowdowns or interruptions in service having a negative impact on our customers. It would also affect our ability to meet required deadlines for the printing and distribution of warrants. It would severely restrict the Agency's ability to further expand customer's access to Agency services.

It has been determined that DIS will be our primary provider of mainframe services. We have not looked for another vendor to house our mainframe applications.

Reducing the number of, or, eliminating software maintenance contracts was reviewed but rejected. The agency would not feel an immediate impact by elimination of maintenance contracts. However, it would become apparent after a catastrophic event such as the failure of a major application like Express Filing. With Express Filing unavailable, subscribing employers may not be able to file their quarterly reports on-time which would impact the agency's revenue stream. Maintenance contracts ensure prompt response by the vendors substantially reducing system or application downtime. Without maintenance contracts in place, timely response and restoration of service would not be guaranteed and outages could be extensive causing major impacts to agency customers. Also, without maintenance contracts in place, updates/upgrades would not occur as they do with a contract.

Updates or upgrades provisioned by maintenance contracts include such things as virus protection or feature enhancements to improve functionality.

Budget impacts in future biennia

The ongoing cost into the next biennium are $3,455,000 ($2,771,000 plus $684,000 representing 24 full months of MIPS increases). Based on current trending, it is fully expected that each subsequent biennium will require funding for at least four additional MIPS increases over and above the carry-forward base budget.   L&I will request any needed funding in future biennia through the regular budget request process.

Distinction between one-time and on-going costs

These costs are all on-going and once established will carry forward into all future budget periods.

Effects of non-funding

The effects of non-funding could transform the capabilities of L&I to meet customer demand. If funding is not achieved, methods to decrease utilization of computer systems would need to be pursued. This may require eliminating or restricting access to our systems which is contrary to the agency's stated direction in the 'IT Portfolio Internet Strategy'. Our customers including employers, injured workers and their representatives, and providers have become accustomed to having access to our systems. Eliminating this access would have an impact on their ability to "self service" their L&I needs, and may result in days to process customer requests or delay a decision to release a injured worker to go back to work.

Failure to continue to maintain existing and to develop new internet applications will result in Labor and Industries falling behind in meeting customer expectations and delivering increased efficiencies. Without the ability to increase our MIPS when necessary (based on forecasts) our ability to provide timely service to our customers or meet agency requirements and demands would be seriously impacted. Mainframe performance would be affected and slowdowns in performance could cause significant delays in our ability to print and distribute warrants or to process premiums payments or payments to medical providers and workers

Expenditure Calculations and Assumptions

The measurement of L&I consumption of DIS mainframe resources is based on the measurement of mainframe computation power in Millions of Instructions Per Seconds (MIPS) (see footnote # 2 on page 4). The DIS cost model charges $14,250 per month for a block of 10 MIPS. The Agency is currently using 210 MIPS with a cost of $299,250 a month. DIS also has a mainframe storage cost model that charges rates for mainframe storage such as on-line storage, tape storage and temporary mainframe storage. Mainframe storage costs are currently at $38,514 a month and increases as we continue to add storage requests. Please refer to Attachment A for a history of DIS payments in the 2003-05 Biennium and the projection of payments expected in the 2005-07 Biennium.

The Agency has a maintenance and licensing agreement with IBM to cover the support of the critical application development software costing $301,000 per year. The software products covered under the IBM Passport Advantage agreement are Red Brick, MQ Series, Rational Rose, Tivoli and Websphere.

	FY 2006	FY 2007	TOTAL Biennium	Biennium 2007-2009	Biennium 2009-2011	TOTAL
FTEs	0.0	0.0	**0.0**	0.0	0.0	**0.0**
Objects of Expenditure:						
A - Salary and Wages	0	0	**0**	0	0	**0**
B - Employee Benefits	0	0	**0**	0	0	**0**
C - Personal Service Contracts	0	0	**0**	0	0	**0**
E - Goods and Services	1,386,000	1,387,000	**2,773,000**	3,455,000	4,139,000	**10,367,000**
G - Travel	0	0	**0**	0	0	**0**
J - Capital Outlays	0	0	**0**	0	0	**0**
TOTAL Expenditures	**1,386,000**	**1,387,000**	**2,773,000**	**3,455,000**	**4,139,000**	**10,367,000**
Funds:						
608 Accident Account - State	681,000	681,000	**1,362,000**	1,698,000	2,032,000	**5,092,000**
609 Medical Aid Acct - State	669,000	670,000	**1,339,000**	1,669,000	1,999,000	**5,007,000**
001 General Fund State	7,000	7,000	**14,000**	17,000	21,000	**52,000**
02V Public Safety & Education Acct	13,000	13,000	**26,000**	33,000	39,000	**98,000**
03B Asbestos Account	0	0	**0**	0	0	**0**
095 Electrical Licensing	12,000	12,000	**24,000**	30,000	36,000	**90,000**
163 Worker/Comm. Right to Know	1,000	1,000	**2,000**	2,000	3,000	**7,000**
234 Public Works Administration	1,000	1,000	**2,000**	2,000	3,000	**7,000**
885 Plumbing Certificate Account	1,000	1,000	**2,000**	2,000	3,000	**7,000**
892 Pressure System Safety Acct	1,000	1,000	**2,000**	2,000	3,000	**7,000**
TOTAL Funds	**1,386,000**	**1,387,000**	**2,773,000**	**3,455,000**	**4,139,000**	**10,367,000**

Attachment A: Monthly History of DIS Payments for MIPS and Data Storage

	Month	MIPS	Storage	MIPS Bien Total	Storage Bien Total	Combined Bien Total
03-05 Bien: Actuals	Jul-03	242,000	9,436			
Actuals	Aug-03	242,000	9,436			
Actuals	Sep-03	242,000	9,436			
Actuals	Oct-03	256,500	10,500			
Actuals	Nov-03	256,500	10,600			
Actuals	Dec-03	256,500	11,838			
Actuals	Jan-04	256,500	11,900			
Actuals	Feb-04	256,500	12,000			
Actuals	Mar-04	256,500	12,050			
Actuals	Apr-04	256,500	12,200			
Actuals	May-04	256,500	13,000			
Actuals	Jun-04	256,500	13,500			
Actuals	Jul-04	270,750	13,600			
Actuals	Aug-04	270,750	13,972			
Actuals	Sep-04	270,750	15,727			
Actuals	Oct-04	285,000	16,103			
Actuals	Nov-04	285,000	17,183			
Actuals	Dec-04	285,000	17,956			
Actuals	Jan-05	285,000	18,022			
Actuals	Feb-05	285,000	19,460			
Actuals	Mar-05	285,000	20,859			
Actuals	Apr-05	285,000	20,697			
Actuals	May-05	299,250	20,071			
Actuals	Jun-05	299,250	37,442			
03-05 Biennium				**$6,440,250**	**$366,988**	**$6,807,238**
05-07 Bien: Actuals	Jul-05	299,250	38,514			
Actuals	Aug-05	299,250	38,514			
Actuals	Sep-05	299,250	38,514			
Projections	Oct-05	313,500	38,514			
Projections	Nov-05	313,500	38,514			
Projections	Dec-05	313,500	38,514			
Projections	Jan-06	313,500	43,924			
Projections	Feb-06	313,500	43,924			
Projections	Mar-06	313,500	43,924			
Projections	Apr-06	327,768	43,924			
Projections	May-06	327,768	43,924			
Projections	Jun-06	327,768	43,924			
Projections	Jul-06	327,768	51,341			
Projections	Aug-06	327,768	51,341			
Projections	Sep-06	327,768	51,341			
Projections	Oct-06	342,018	51,341			
Projections	Nov-06	342,018	51,341			
Projections	Dec-06	342,018	51,341			
Projections	Jan-07	342,018	51,341			
Projections	Feb-07	342,018	51,341			
Projections	Mar-07	342,018	51,341			
Projections	Apr-07	356,268	51,341			
Projections	May-07	356,268	51,341			
Proj. & 05-07 Bien Tot:	Jun-07	356,268	51,341	$7,866,270	$1,110,720	$8,976,990
		Difference Between Biennia		**$1,426,020**	**$743,732**	**$2,169,752**